

UNITIL ENERGY SYSTEMS, INC.

DIRECT TESTIMONY OF

TODD M. BOHAN

New Hampshire Public Utilities Commission

Docket No. DE 11-028

December 9, 2011

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LIST OF SCHEDULES

- Schedule TMB-1: Bid Evaluation Report**
- Schedule TMB-2: Request for Proposals**
- Schedule TMB-3: Customer Migration Report**
- Schedule TMB-4: RPS Compliance Cost Estimates**
- Schedule TMB-5: Historical Pricing by Customer Group**
- Schedule TMB-6: RSO Program Update**

1 **I. INTRODUCTION**

2 **Q. Please state your name and business address.**

3 A. My name is Todd M. Bohan. My business address is 6 Liberty Lane West,
4 Hampton, NH.

5

6 **Q. What is your relationship with Unitil Energy Systems, Inc.?**

7 A. I am employed by Unitil Service Corp. (“USC”) as an Energy Analyst. USC
8 provides, at cost, a variety of administrative and professional services on a
9 centralized basis to its affiliated companies, including energy supply management
10 services to Unitil Energy Systems, Inc. .

11

12 **Q. Please briefly describe your educational and business experience.**

13 A. I graduated *magna cum laude* from Saint Anselm College, Manchester, New
14 Hampshire in 1987 with a Bachelor of Arts degree in Financial Economics. I
15 earned a Masters in Economics from Clark University, Worcester,
16 Massachusetts in May 1990. In September 1995, I earned a Ph.D. in
17 Economics from Clark University. Before joining Unitil, I worked for Bay
18 State Gas Company as a Rate Analyst. Prior to working for Bay State, I was
19 employed as a Utility Analyst and an Economist in the Economics

1 Department of the New Hampshire Public Utilities Commission. I joined
2 Unitol Service Corp. in November 1998, and have been involved in various
3 regulatory proceedings. In August of 2010, I joined the Energy Contracts
4 group and have primary responsibilities in the areas of electric market
5 operation and data reporting, default service administration and budgeting.

6

7 **Q. Have you previously testified before the New Hampshire Public Utilities**
8 **Commission ("Commission")?**

9 A. Yes. I have testified before the Commission on various regulatory matters, most
10 recently in UES's Annual Stranded Cost Recovery and External Delivery Charge
11 Reconciliation and Rate Filing proceeding, Docket No. DE 11-141.

12

13 **II. PURPOSE OF TESTIMONY**

14 **Q. Please describe the purpose of your testimony.**

15 A. My testimony documents the solicitation process followed by UES in its
16 acquisition of Default Service power supplies ("DS") for its G1 - customers as
17 approved by the Commission in Order No. 24,511, granting UES's Petition for
18 Approval of a Default Service Supply Proposal for G1 and Non-G1 Customers

1 and Approval of Solicitation Process as amended by the Settlement Agreement
2 filed with the Commission on August 11, 2005 (the “Order”). With the current
3 RFP, UES has contracted for a three-month default service power supply for its
4 G1 customers. Service begins on February 1, 2012.

5

6 I describe how UES solicited for bids from wholesale suppliers to provide the
7 supply requirements in accordance with the terms of the Order as UES has done
8 in prior default service supply solicitations. I also describe how the proposals
9 received were evaluated and the winning bidder was chosen. Supporting
10 documentation and additional detail of the solicitation process followed is
11 provided in the Bid Evaluation Report (“Report”), attached as Schedule TMB-1.
12 A copy of the RFP as issued is attached as Schedule TMB-2, and an updated
13 Customer Migration Report is attached as Schedule TMB-3. The Customer
14 Migration Report shows monthly retail sales and customer counts supplied by
15 competitive generation, total retail sales and customer counts (the sum of default
16 service and competitive generation) and the percentage of sales and customers
17 supplied by competitive generation. The report provides a rolling 12-month
18 history which covers the period from December 2010 through November 2011.

19

1 Renewable Portfolio Standard ("RPS") Compliance Cost Estimates are included
2 as Schedule TMB-4. My testimony reviews UES's approach to compliance with
3 the RPS which went into effect in January 2008. Schedule TMB-4 details
4 projected obligations and price assumptions for the coming rate period. The price
5 assumptions listed in Schedule TMB-4 are based on recent market data. Schedule
6 TMB-5 provides historical price data by customer group that is no longer subject
7 to confidential treatment. This schedule provides pricing histories associated with
8 the most recent three-month rate periods for G1 customers for which all pricing is
9 currently subject to the Federal Energy Regulatory Commission's quarterly
10 reporting requirements. Schedule TMB-6 provides an update on the Renewable
11 Source Option ("RSO") program participation and activity to date.

12

13 **Q. Please summarize the approvals UES is requesting from the Commission.**

14 A. UES requests that the Commission:

- 15 • Find that: UES has followed the solicitation process approved by the
16 Commission; UES's analysis of the bids submitted was reasonable; and UES
17 has supplied a reasonable rationale for its choice of the winning supplier.

- 1 • Find that price estimates of renewable energy certificates (“RECs”) proposed
2 by UES, based on actual purchases or current market prices, are appropriate
3 for inclusion in retail rates.
- 4 • On the basis of these findings, conclude that the power supply costs resulting
5 from the solicitation are reasonable and that the amounts payable to the sellers
6 under the supply agreement are approved for inclusion in retail rates.
- 7 • Issue an order granting the approvals requested herein on or before December
8 16, 2011, which is five (5) business days after the date of this filing.

9

10 **III. SOLICITATION PROCESS**

11 **Q. Please discuss the Solicitation Process UES employed to secure the supply**
12 **agreement for default service power supplies.**

13 A. In the same manner as its prior solicitations for default service supplies, UES
14 conducted an open solicitation in which it actively sought interest among potential
15 suppliers and provided potential suppliers with access to sufficient information to
16 enable them to assess the risks and obligations associated with providing the
17 services sought. UES did not discriminate in favor of or against any individual
18 potential supplier who expressed interest in the solicitation. UES negotiated with

1 all potential suppliers who submitted proposals to obtain the most favorable terms
2 from each potential supplier. The structure, timing and requirements associated
3 with the solicitation are fully described in the RFP issued on November 8, 2011,
4 which is attached as Schedule TMB-2, as well as summarized in the Report
5 attached as Schedule TMB-1.

6

7 **Q. How did UES ensure that the RFP was circulated to a large audience?**

8 A. UES announced the electronic availability of the Request for Proposal ("RFP") to
9 all participants in NEPOOL by notifying all members of the NEPOOL Markets
10 Committee via email. UES also announced the issuance of the RFP via email to a
11 list of power suppliers and other entities such as distribution companies,
12 consultants, brokers and members of public agencies who have previously
13 expressed interest in receiving copies of UES's solicitations. UES followed up
14 the email announcements with telephone calls to the power suppliers to solicit
15 their interest. In addition, UES issued a media advisory to the power markets
16 trade press announcing the issuance of the RFP. The announcement was carried
17 by *Megawatt Daily* on November 9, 2011.

18

19

1 **Q. What information was provided in the RFP to potential suppliers?**

2 A. The RFP described the details of UES's default service, the related customer-
3 switching rules, and the form of power service sought. To gain the greatest level
4 of market interest in supplying the load, UES provided potential bidders with
5 appropriate and accessible information. Data provided included historical hourly
6 default service loads and daily capacity tags for each customer group; historical
7 monthly retail sales and customer counts by rate class and supply type; a generic
8 listing of large customers showing annual sales, peak demands, and capacity tag
9 values as well as supply type (default service or competitive generation); and the
10 evaluation loads, which are the estimated monthly volumes that UES would use to
11 weight bids in terms of price. The hourly load data, capacity tags, historical
12 monthly retail sales and customer counts by rate class and supply type were
13 updated prior to final bidding. All documents and data files were provided to
14 potential suppliers via UES's corporate website (www.unitil.net/rfp).

15

16 **Q. How did UES evaluate the bids received?**

17 A. UES evaluated the bids on both quantitative and qualitative criteria, including
18 price, creditworthiness, willingness to extend adequate credit to UES to facilitate
19 the transaction, capability of performing the terms of the RFP in a reliable manner

1 and the willingness to enter into contractual terms acceptable to UES. UES
2 compared the pricing strips proposed by the bidders by calculating weighted
3 average prices for the supply requirement using the evaluation loads that were
4 issued with the RFP.

5
6 UES selected DTE Energy Trading, Inc. (“DTE”) as the supplier for the three-
7 month G1 supply requirement. UES believes that DTE offered the best overall
8 value in terms of both price and non-price considerations for the supply
9 requirements sought.

10

11 **Q. Please describe the contents of the Bid Evaluation Report.**

12 A. Schedule TMB-1 contains the Report which further details the solicitation
13 process, the evaluation of bids, and the selection of the winning bidder. The
14 Report contains a narrative discussion of the solicitation process. A confidential
15 section labeled “Tab A” follows the narrative. Tab A includes additional
16 discussion regarding the selection of the winning bidders and presents several
17 supporting exhibits that list the suppliers who participated, the pricing they
18 submitted and other information considered by UES in evaluating final proposals,

1 including red-lined versions of the final supply agreements. UES seeks protective
2 treatment of all materials provided in Tab A.

3

4 On the basis of the information and analysis contained in the Report, UES submits
5 that it has complied with the Commission's requirements set forth in the Order,
6 and that the resulting default service power supply costs are reasonable and that
7 the amounts payable to the sellers under the supply agreements should be
8 approved for inclusion in retail rates.

9

10 **Q. Please indicate the planned issuance date, filing date and expected approval**
11 **date associated with UES's next default service solicitation.**

12 A. UES's next default service solicitation will be for one hundred percent (100%) of
13 G1 supplies for a three-month period and for twenty five percent (25%) of the
14 Non-G1 supplies for one year. Delivery of supplies will begin on May 1, 2012.
15 UES plans to issue an RFP for these supplies on January 31, 2012, with a filing
16 for approval of solicitation results planned for March 9, 2012 and approval
17 anticipated by March 16, 2012.

18

1 **IV. RENEWABLE PORTFOLIO STANDARD COMPLIANCE**

2 **Q. Please explain how UES is complying with the Renewable Portfolio Standard**
3 **requirements.**

4 A. In accordance with the settlement agreement dated July 16, 2009, UES issues two
5 REC RFPs annually, each for approximately 50% of its REC obligations. In
6 addition, UES may make REC purchases outside of the RFP process when it finds
7 it advantageous to do so. For 2011 RPS compliance, UES completed its first REC
8 RFP on October 18, 2011 and has made additional purchases since. Tab A
9 includes an exhibit summarizing UES's REC purchases for 2011 compliance.

10

11 **Q. Please describe UES's estimates of RPS compliance costs.**

12 A. The current solicitation is for default service power supplies to be delivered
13 beginning February 2012. Schedule TMB-4 lists the percentage of sales and the
14 resulting REC requirement for each class of RECs for RPS compliance along with
15 UES's cost estimates for the period beginning February 2012. UES's cost
16 estimates are based on both current market prices as communicated by brokers of
17 renewable products and recent purchases of 2011 vintage RECs.

18

1 **V. RENEWABLE SOURCE OPTION UPDATE**

2 **Q. Please briefly describe UES's RSO program which was approved by the**
3 **Commission on May 7, 2010 in docket, DE 09-224.**

4 A. The RSO Program, which the company is marketing to customers as the Green
5 Neighbor Program, is an optional service that allows Domestic and Regular
6 General Service default service customers who are not receiving payment
7 assistance to financially support renewable generation. Through the program,
8 customers may choose to have 25 percent, 50 percent or 100 percent of their
9 consumption matched with purchases of Class I and Class II RECs. These REC
10 purchase obligations are in addition to UES's RPS obligations. Customers who
11 choose to participate are billed an additional charge – the Renewable Source
12 Option Charge ("RSOC"), per Schedule RSO of the Company's tariff, based on
13 the level of participation chosen.

14
15 With each default service filing, UES provides an update on program activity,
16 which is provided in Schedule TMB-6. With each Non-G1 default service filing,
17 UES reviews its RSOC rates and proposes new RSOC rates as appropriate for
18 each of the three options available. Since the current filing does not include Non-
19 G1 supplies, changes to the RSOC rates are not being proposed.

1 **Q. Please describe UES's ongoing efforts to market the RSO program.**

2 A. UES continues to promote participation in the RSO program, which is marketed
3 to our customers as the Green Neighbor Program. UES posted a bill message on
4 its September electric bills that go out to all eligible New Hampshire customers.
5 UES continues to have magnetic signs advertising the program on its electric
6 service vehicles, and the dedicated web pages for the Green Neighbor Program
7 remain posted on the website.

8

9 **Q. Please provide a summary of RSO program participation to date.**

10 A. Schedule TMB-6 provides the number of customers participating in the program
11 by rate class and RSO option chosen, along with kilowatt-hour consumption and
12 revenue by program option, rate class and billing month. A projection of Class I
13 and Class II RECs that will be purchased as a result of the RSO program is also
14 included in Schedule TMB-6.

15

16 **VI. CONCLUSION**

17 **Q. Does this conclude your testimony?**

18 A. Yes, it does